



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2011 Biennium

Bill #	HB0124	Title:	Reopen GABA enrollment for firefighters
Primary Sponsor:	Mehlhoff, Robert	Status:	As Introduced

Retirement Systems Affected:

<input type="checkbox"/> Teachers	<input type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input checked="" type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
		<input type="checkbox"/> Judges	

Check the box if "Yes".

- ☒ Has this legislation been reviewed by the legislative interim committee?
- ☒ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

	July 1, 2008 Current System	July 1, 2008 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$287,218,000	\$287,491,000	\$273,000
Present Value of Actuarial Assets	\$206,127,000	\$206,127,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$81,091,000	\$81,364,000	\$273,000
Amortization Period (years) of UAAL	11.30	11.30	0.00

	July 1, 2008	July 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012
Employee Contribution Rate	9.50%	9.50%	9.50%	9.50%	9.50%
hired prior to 7/1/97 and not electing GABA					
Employee Contribution Rate	10.70%	10.70%	10.70%	10.70%	10.70%
hired after 6/30/97 and those electing GABA					
Employer Contribution Rate	14.36%	14.37%	14.37%	14.37%	14.37%
State Contribution Rate	32.61%	32.61%	32.61%	32.61%	32.61%
TOTAL Contribution Rate	57.67%	57.68%	57.68%	57.68%	57.68%

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
Other - Pension Trust	\$0	\$0	\$0	\$0
Revenue:				
Other - Pension Trust	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact:

Active members not currently eligible for GABA 3% benefit increases will be granted another election period and may elect GABA at any time prior to December 1, 2009.

FISCAL ANALYSIS**Assumptions:**

1. This is the only statutory amendment being considered. If other provisions are enacted, the actuarial cost impact associated with this amendment may be different.
2. No adjustment has been made for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2008.
3. This House Bill is intended to impact active members only.
4. The impact of the bill depends on how many eligible members make the GABA election. As of July 1, 2008, only six of the 525 active members had not elected GABA coverage. For the purposes of this study, it is assumed all active members elected GABA coverage as of July 1, 2008.

Technical Notes:

1. Based on the June 30, 2008 market value of assets, the amortization period would be 13.4 years instead of 11.3 years for results with changes.
2. If the assets were adjusted at June 30, 2008 to reflect the market losses through October 31, 2008, the amortization period would be 13.2 years on an actuarial value of assets basis, and 22.2 years on a market value of assets basis.
3. MPERA's actuary, Milliman, has noted that extreme care should be taken when considering any benefit improvement due to recent losses in the fair market value of assets.
4. Although MPERA assumes the increased cost would be borne by employers; if the cost is not borne by employers, the cost would then be shifted to the state.
5. The Firefighters' Unified Retirement System (FURS) is tax-qualified under Internal Revenue Code. This bill would provide an election that has already been previously offered. Multiple elections for the same purpose is generally not favorably reviewed by the IRS; passage of this election may potentially jeopardize the tax-qualification of FURS.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date